GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:1968
ANSWERED ON:13.03.2007
FOREIGN INDUSTRIES
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the details of foreign industries including Iron and Steel acquisitioned by Indian Industrialists during the years 2005-06 and 2006-07;

(b) the total amount of foreign reserves cost by such acquisitions;

(c) whether the Government admits that such large scale acquisition of foreign industries by Indians amount to out-flow of huge investment from our country;

(d) if so, whether the Government seriously proposes to formulate precise policy in this regard to prevent out-flow of capital investment and deprivation of opportunities to indigenous labour and employment;

(e) if so, the details thereof; and

(f) if not, the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI ASHWANI KUMAR)

(a) : As per information received from the Reserve Bank of India, the actual outflow arising out of India's direct investment abroad during 2005-06 and 2006-07 is as under :

(Amount in US$ million)

Year	Particulars of Activity	Actual outflow			
(April-March)					
2005-2006		Equity	Loan	Guarantee	Total
	Manufacturing	2629.81	302.64	-	2932.45
	Financial services	158.61	0.12	-	158.73
	Non-financial services	387.59	492.98	3.00	883.57
	Trading	288.27	61.51	-	349.78
	Others	119.28	73.13	-	192.41
	Total	3583.56	930.38	3.00	4516.94
(April- January)					
2006-2007	Manufacturing	1017.26	333.93	-	1351.19
	Financial services	9.96	2.63	-	12.59
	Non-financial services	4357.14	53.91	-	4411.05
	Trading	140.10	306.96	-	447.06
	Others	459.39	54.69	-	514.08
	Total	5983.85	752.12	-	6735.97

provisional data maintained by Reserve Bank of India

(b) : Foreign exchange from reserves are not utilised for acquisition abroad by the Indian industry.

(c) : As seen from the acquisitions so far, a significant part of the investments takes place through Special Purpose Vehicles (SPVs) set up abroad which raise funds against the assets of the target company and hence the entire cost of acquisition is not met by remittance from India.

(d)to(f) : Outward investment policy guidelines are incorporated under Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000.These regulations lay down the guidelines for a corporate-led outward investment. The phased liberalisation of the policy of overseas investments has enabled Indian corporates to establish a presence in overseas markets, redefining the global outreach and competitiveness of Indian entities. Mergers and acquisitions have facilitated enhanced export of plant and machinery and goods from India, thereby increasing employment potential within the country. Such investments in turn provide opportunities to indigenous labour and employment.